

BOARD OF TRUSTEES

JOHN P. DALTON, JR
ROBERT T. REGAN
HON. MARIYANA T. SPYROPOULOS
STEPHEN J. CARMODY.
JOSEPH F. KENNEDY
HON. BARBARA J. MCGOWAN
KATHLEEN MEANY

**VOLUME 26, ISSUE 1
JUNE 2018
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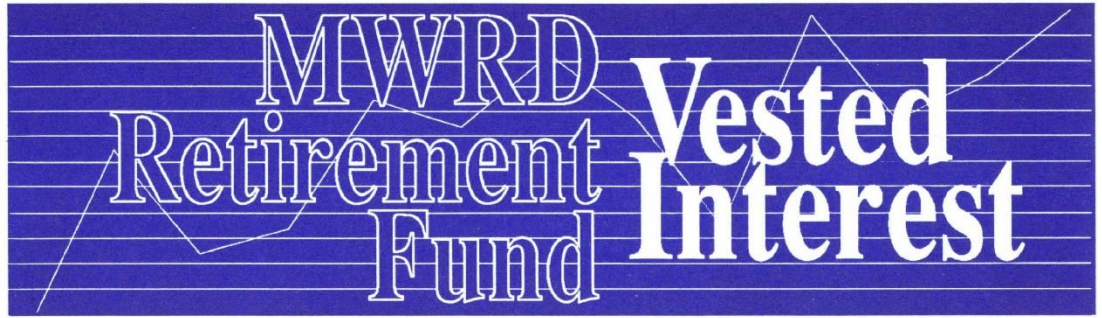


VESTED INTEREST

is published for
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served by the

**MWRD
Retirement Fund**
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Chicago, IL 60611
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www.mwrdrf.org

Editors:
Retirement Fund Staff



PROVIDING A FORUM FOR AN ACTIVE MEMBERSHIP



New Retirement Fund Board President

At the April 25, 2018 Retirement Fund Board of Trustees meeting, Joseph Kennedy stepped down from his position as Retirement Fund Board President, a post he has held since June 2005. Mr. Kennedy will retain his seat on the Board as a non-officer. At that same meeting, John P. Dalton, Jr. was nominated and then unanimously voted as President of the Retirement Board.

We would like to thank Joseph Kennedy for his service as Board President. We continue to appreciate his contributions to the Retirement Fund Board. Join us as we welcome John P. Dalton Jr. as Board President.



About the Retirement Fund Board . . .

Have you ever wondered how employees become members of the Board? The Retirement Board is comprised of the following seven members:

- Four trustees are active employees elected for a four year term by active Fund members.
- Two trustees are appointed by the District's Board of Commissioners.
- The third appointed position is a retiree trustee who is recommended by the Board of Commissioners and approved by the Retirement Fund Board of Trustees. Appointed trustees serve a term of three years.



Each year, the Trustees appoint a president (John P. Dalton, Jr), a vice president (Robert Regan) and a secretary (Mariyana Spyropoulos).

One of the trustees is up for election each October. A notice of election is posted each August to advise employees of the steps necessary to get on the ballot. This notice also includes a list of trustee responsibilities.

If you are interested, be on the lookout for this notice later this summer!

SANDRA HERNANDEZ JOINS STAFF AS OFFICE SERVICES ASSISTANT



On January 22, 2018, Sandra Hernandez joined the Retirement Fund staff as its Office Services Assistant. Sandra joins us from the Chicago Housing Authority (CHA) Pension Fund. Prior to her tenure at the CHA Pension Fund, she had extensive experience at the UFCW Midwest Pension Fund. Sandra holds a BA from Northeastern University. When she is not tending to member's needs, Sandra enjoys experimenting in the kitchen with a new recipe, reading a food blog or watching the Food Network.

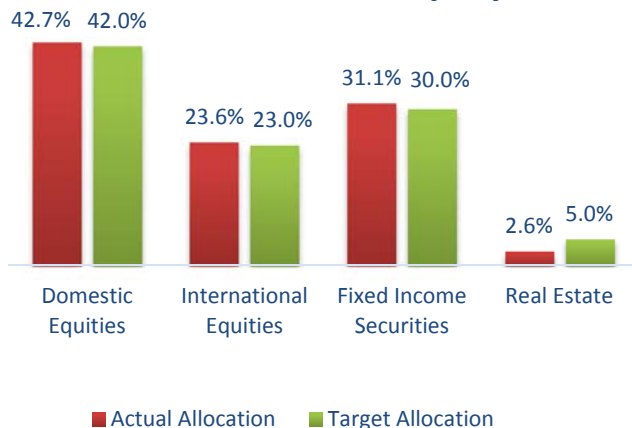
Sandra looks forward to assisting our membership as well as all callers and visitors to the Fund office. Please join us as we welcome Sandra.



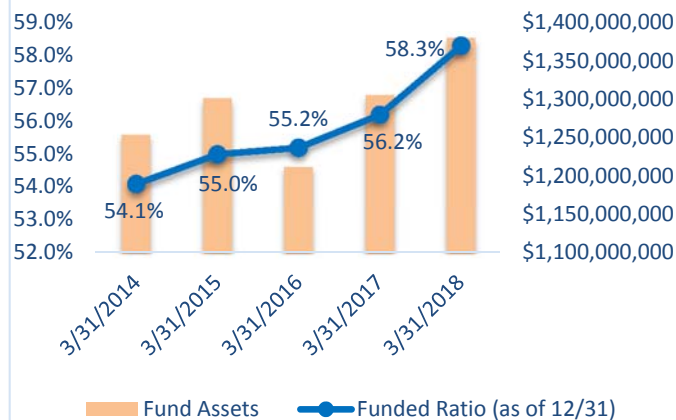
Fund performance as of 3/31/2018	1st Quarter	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (net of fees)	-0.6%	10.4%	6.8%	8.8%	7.4%
Policy Index*	-0.6%	10.3%	6.7%	8.6%	7.5%

* The policy index is composed of the following: 21% S&P 500 Index, 10% Russell Midcap Index, 11% Russell 2000 Index, 11% MSCI ACWI ex-US Index, 6% S&P Developed ex-U.S Index, 6% MSCI Emerging Markets Index, 7% Barclays Global Aggregate (Hedged) Index, 23% Barclays Aggregate Index, 5% NFI-ODCE Index.

Asset Allocation as of 3/31/18



MWRD Retirement Fund



MWRD Retirement Fund Allocates \$70.0 Million to Core Open-End Real Estate

In 2017, the MWRD Retirement Fund made the commitment to allocate approximately 5% of total assets to core open-end real estate. In the summer of 2017, the Fund issued a Request for Proposals from investment management firms interested in providing Core Open-End Real Estate investment management services. After selecting and conducting interviews with six finalists, the decision was made to split the allocation evenly between two managers. UBS Realty Investors and Deutsche Asset Management were selected to each manager 2.5% of total Fund assets or approximately \$35.0 Million.

The decision to split the allocation between two managers was done to ensure a well-diversified core real estate portfolio. The primary benefits of adding a new Real Estate allocation to the Fund include diversification with low correlation to other assets, potential hedge against inflation, and superior risk-adjusted performance. The funding of the real estate allocation began with a \$35.0 Million Capital Call to the UBS Trumbull Property Fund on January 2, 2018. An initial allocation of \$5.25 Million was made to RREEF America REIT II, Inc. on April 2, 2018. Additional Capital Calls to RREEF America REIT are expected in the 3rd & 4th quarters of 2018 with the full allocation expected to be completed by year-end.

Transitions



DECEASED EMPLOYEES AND RETIREES (since November 2017)

Ackerman, Francis	Fraser Jr., Thomas	Knightly, Robert	Patenoude, Terrence	Smith, Raymond
Bauerlein, Herman*	Georgas, Constantine	Kubes, Frank	Payton, Rita	Stagowski, Raymond
Boylan, David	Gonzalez, Carlos	Long, Herbert	Pechnick, Dennis	Tamosiunas, Eric*
Bradford, Timothy*	Gottardo, Frank	Lucatorto, Frank	Reyes, Ramon	Turner, Robert
Bradley, Patrick	Grant, Rueben	Meade, John	Sakamoto, Larry	Vaughan, Tommy
Collins, Albert	Horner, Joan	Nash, Thomas	Sandberg, Laurence	Vukits, Steven
Coughlin, Jeremiah	Jecha, Ralph	O'Brien, Lawrence	Segars, Jeanette	Young, Willa
Drzewiecki, Robert	Kinney, James*	O'Sullivan, Dennis	Shyne Jr., Elroy	Zemanski, Gerald
Flood, Michael				*Death in Service

RETIREES (since November 2017)

Anderson-Powell, Loretta	Faught, Will	Klecki, Philip	Nelson, Scott*	Skipton, Dorothea
Arce, Ruth	Fefles, Andrew	Kogucki, Elizabeth	Neubauer, Joseph	Stewart, Joseph
Baez, Ariel	Flemons, Richard	Krzos, John	Nichols, Allen	Stokes, William
Bredemann, Leonard	Gibbs, Alicia	LaFlame, Gregory	O'Brien, Michael	Stram, Jo-Ann
Bullock, Phaedra	Giometti, George	Lazicki, John	Olowu, Johnson	Talkington, Liane
Bumby, Suzan	Goetzen, Karen	Luhrs-Draper, Lisa	Patel, Vinod	Tomasek, Frederick*
Burns, Dennis	Grillo, Dann	MacDonald, Dale	Pilar, Victor	Topor, John
Clement, Jean	Gulick, Michael	Marshall, Shawn*	Qureshi, Shakeela	Trend, Thomas
Cloonan, James	Haidacher, Martin	McNamara, Robert	Schlitt, John	Tyson, Elana
Daniel, Paul	Heneghan, Mark	Micek, James	Schury, George	Vallos, Karen
Dillon, Steven	Holmes, Brenda	Migalski, Carol	Searcy, Michau	Vosburg, Mark
Durden, Andrew	Johnson, Dan	Mixan, Joseph	Shaikh, Amanullah	Whitfield, Dorothy
Ellis, John*	Joiner, Michael	Moe, Diane	Shapiro, Naum	Zintak, David
Enyard, Franklin	Jones, Henry	Molony, Patrick	Sharp, Deborah	Zuhr, Scott
Eswani, Alnawaz				*Retired from Reciprocal Fund

Bringing Tiers to your Eyes

Employees who started after January 1, 2011, may recall that during your Retirement Fund intake session, Fund staff provided you with a brochure and explained to you what “Tier” you are in. A lot happens on the first day. As such, it may be helpful to all employees, old and new alike, to explain the difference between Tier 1 and Tier 2 Retirement Fund benefits. Refer to the table below for a comparison of the major differences:



	Tier 1	Tier 2
Tier Membership	Became a member in the Fund or in one of certain reciprocal funds before 1/1/2011.	Became a member of the Fund on or after 1/1/2011.
Contribution Rate	12%, with provisions to decrease to 9% when the Fund is 90% funded.	9%
Minimum Retirement Requirements	Age 50 if hired before 6/13/1997 or age 55 if hired after 6/13/1997 with a minimum of 10 years of service, discounted if less than 30 years of service.	Age 62 with a minimum of 10 years of service, discounted if less than 30 years of service.
Requirements for Retirement without Discount	<ul style="list-style-type: none"> Age 60 with at least 5 years of service Age 55 (or 50 if hired before 6/13/1997) with at least 30 years of service. 	<ul style="list-style-type: none"> Age 67 with at least 10 years of service. Age 62 with at least 30 years of service.
Early Retirement Discount	½% per month for each full month under age 60 or per full month less than 30 years of service, whichever is less.	½% per month for each full month under age 67 if less than 30 years of service.
Surviving Spouse Annuity	60% plus 1% per year of service to a maximum of 85% of the employee’s annuity at the time of death ^{1,2,3}	66 2/3% of the employee’s annuity at the time of death ¹
Final Average Salary	Average of the highest two years of the last 10 years of service.	Average of the highest eight years of the last 10 years of service.
Salary Cap	<ul style="list-style-type: none"> If entered before 1/1/1996 no salary cap. If entered after 1/1/1996, \$275,000⁴. 	Currently \$113,644.91 ⁴

¹ Presumes that the spouse is eligible for an annuity.

² If the member entered service on or after 1/1/1992, there may be a discount applied to the spouse’s annuity for age difference between the member and spouse.

³ If the member retired prior to 8/23/1989, the benefit is different.

⁴ This amount is determined annually.

These are general statements. If you have any questions about how these provisions apply to your situation, contact the Retirement Fund, or you may read further on the Fund’s website, mwrdrf.org.

COMING THIS FALL TO A LOCATION NEAR YOU

To assist District employees who are planning for retirement, the Retirement Fund in a joint effort with the Human Resources Department will be conducting pre-retirement seminars this fall. These seminars are geared to employees with the potential to retire before December 31, 2021, and will cover the following topics:

- Separation Benefits
- Retirement Plan Benefits
- Health Insurance

Invitations to eligible employees will be sent by the Human Resources Department late this summer. Keep an eye on your mailbox.

MWRD Retirement Fund Staff Directory

(312) 751-XXXX

Executive Director.....	Susan Boutin	x <u>3230</u>	<u>BoutinS@mwrdd.org</u>
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Accountant	Vrinda Kulkarni	x <u>3036</u>	<u>KulkarniV@mwrdd.org</u>
Financial Analyst.....	Brian Gillespie	x <u>3226</u>	<u>GillespieB@mwrdd.org</u>
Programmer Analyst.....	Vitaliy Bunimovich.....	x <u>3284</u>	<u>BunimovichV@mwrdd.org</u>
Benefits Manager, Retirements.....	Ksenija ('Senya') Hrvojevic. x <u>3229</u>		<u>HrvojevicK@mwrdd.org</u>
Ordinary Disability, QILDRO.....	Valerie Crouch.....	x <u>6641</u>	<u>CrouchV@mwrdd.org</u>
Estimates, Duty Disability	Jessica Taylor.....	x <u>3224</u>	<u>TaylorJ@mwrdd.org</u>
Deaths, Refunds, Insurance	Debra Kozlowski	x <u>3227</u>	<u>KozlowskiD@mwrdd.org</u>
Insurance, Address Changes, Forms Requests.....	Sandra Hernandez	x <u>3222</u>	<u>HernandezS@mwrdd.org</u>

Contact us by...

Phone From District locations, dial 1 + the underlined phone extension, above.

E-mail Contact us via the District's Outlook system, or at our internet e-mail addresses, shown above. Provide a phone number where you can be contacted on weekdays between 8:45 a.m. and 4:30 p.m. (Central time).

U.S. mail using the address below.

MWRD RETIREMENT FUND
111 East Erie Street, Suite 330
Chicago, IL 60611-2898

<p>FIRST-CLASS MAIL U.S. POSTAGE PAID Chicago, IL Permit No. 2543</p>
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**METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND
STATEMENT OF FIDUCIARY NET POSITION**

	<u>12/31/2017</u>	<u>12/31/2016</u>
ASSETS		
Cash	\$ 1,990,166	\$ 3,670,431
Receivables		
Employer contributions - taxes (net of allowance for uncollectible amounts of \$3,883,473 in 2017 & \$3,753,025 in 2016)	89,604,000	79,505,000
Securities sold	42,172,013	7,563,442
Forward foreign currency exchange contracts	123,332,605	116,576,244
Accrued interest and dividends	3,660,222	3,160,847
Accounts receivables	42,498	44,613
Total receivables	<u>258,811,338</u>	<u>206,850,146</u>
Investments - at fair value		
Fixed Income	249,811,744	234,274,908
Pooled funds - fixed income - short-term	30,688,768	32,492,910
Pooled funds - fixed income - long-term	184,200,198	195,103,880
Common stocks	576,587,803	524,405,443
Mutual and commingled equity funds	342,484,343	285,515,029
	1,383,772,856	1,271,792,170
Securities lending collateral	27,447,849	42,117,674
Total investments	<u>1,411,220,705</u>	<u>1,313,909,844</u>
Total assets	<u>1,672,022,209</u>	<u>1,524,430,421</u>
LIABILITIES		
Accounts payable	1,359,693	1,270,180
Securities purchased	17,036,969	11,507,018
Forward foreign currency exchange contracts	124,383,722	116,937,166
Securities lending collateral	27,447,849	42,117,674
Total liabilities	<u>170,228,233</u>	<u>171,832,038</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 1,501,793,976</u>	<u>\$ 1,352,598,383</u>

2017 FINANCIAL REPORT TO FUND MEMBERS

These financial statements are excerpted from the MWRD Retirement Fund's 2017 audited financial statements and are intended to provide our membership with general financial information about the Fund. The financial statements and their accompanying notes appear in full in the Fund's 2017 Comprehensive Annual Financial Report which is available on-line at www.mwrdrf.org, or by request.

During 2017, the Fund's net assets available for benefits increased by \$149.2 million or 11.0% from \$1.36 billion to \$1.50 billion, primarily from positive investment returns. Investment returns during 2017 were 15.6% net of fees. The funded ratio which measures the actuarial value of assets against the actuarial accrued liabilities improved from 56.2% at year-end 2016 to 58.3% at year-end 2017.

The Fund maintains a conservative, long-term outlook with regards to its investments. On December 31, 2017, 43.9% of assets were invested in domestic equity securities, 24.1% in international equities, and 32.0% in fixed income securities and short-term investments.

**METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 89,858,224	\$ 80,259,713
Employee contributions	20,839,829	20,830,779
Total contributions	<u>110,698,053</u>	<u>101,090,492</u>
Investment income		
Net appreciation in fair value of investments	177,341,970	92,762,607
Interest	7,700,427	11,370,038
Dividend income	14,054,030	13,633,175
Total investment income	<u>199,096,427</u>	<u>117,765,820</u>
Less investment expenses	<u>(4,620,753)</u>	<u>(4,613,683)</u>
Investment income (loss), net of expenses	<u>194,475,674</u>	<u>113,152,137</u>
Securities lending income		
Earnings	448,326	265,142
Borrower rebates	(13,332)	294,951
Less bank fees	<u>(89,209)</u>	<u>(126,358)</u>
Net income from securities lending activities	<u>345,785</u>	<u>433,735</u>
Other		
	<u>3,100</u>	<u>107,175</u>
Total additions	<u>305,522,612</u>	<u>214,783,539</u>
DEDUCTIONS		
Annuities and benefits		
Employee annuities	127,098,834	121,729,901
Surviving spouse annuities	24,203,400	22,919,525
Child annuities	142,000	153,500
Ordinary disability benefits	631,401	412,706
Duty disability benefits	<u>77,279</u>	<u>109,753</u>
Total annuities and benefits	152,152,914	145,325,385
Refunds of employee contributions	2,560,129	2,010,630
Administrative expense	<u>1,613,976</u>	<u>1,502,639</u>
Total deductions	<u>156,327,019</u>	<u>148,838,654</u>
NET INCREASE (DECREASE)	149,195,593	65,944,885
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Beginning of year	<u>1,352,598,383</u>	<u>1,286,653,498</u>
End of year	<u>\$ 1,501,793,976</u>	<u>\$ 1,352,598,383</u>